

FOREIGN SALE OF CERTAIN PASSENGER VESSELS

SEPTEMBER 28, 1971.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed.

Mr. GARMATZ, from the Committee on Merchant Marine and Fisheries, submitted the following.

REPORT

together with
MINORITY VIEWS

[To accompany H.R. 10577]

The Committee on Merchant Marine and Fisheries, to whom was referred the bill (H.R. 10577) to authorize the foreign sale of certain passenger vessels, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

On page 2, lines 16 and 17, strike out "six years from the date of the agreement" and insert the following: "two years from the date the transferred vessel goes into operation".

On page 2, line 25, strike the word "and".

On page 3, line 2, substitute a semicolon for the period and add the following words: "and (e) with respect to the SS *United States* no modification, reconstruction or conversion involving features incorporated in the vessel for national defense purposes shall be undertaken without submitting the plans and specifications to the Secretary of the Navy and securing his approval thereof".

PURPOSE OF THE BILL

The purpose of the bill, H.R. 10577, is to authorize the sale to an alien with transfer to a foreign registry of the laid-up United States-flag passenger vessels SS *United States*, SS *Brasil*, SS *Argentina*, SS *Constitution*, SS *Independence*, SS *Santa Paula* and SS *Santa Rosa*. Section 503 of the Merchant Marine Act, 1936, as amended, generally provides that a vessel built with the aid of construction-differential subsidy must remain documented under the laws of the United States for a period of 25 years. These passenger vessels were constructed with the aid of construction-differential subsidy and none has reached the end of its statutory life. Thus, these vessels may not be sold to foreign registry without specific statutory authority. The authority provided by the bill would be subject to certain conditions intended to protect

the interests of the United States and insure that the net sale proceeds would be used to construct new United States-flag tonnage.

BACKGROUND OF LEGISLATION

The genesis of this legislation dates back to the late 1950's and early 1960's when jet aircraft were introduced on international air routes. It could not be foreseen at that time, but the introduction of jet aircraft was to have a profound effect on the future operation of United States-flag passenger vessels.

On the transatlantic route, in the period 1961 to 1970 total passenger traffic increased by 190 percent; from 2.2 million to 6.4 million. During this same period, the number of passengers traveling by sea fell by 70 percent; from 501,000 to 152,000, and the percentage of total passengers traveling by sea declined from 23 percent to 2 percent.

In 1960, foreign-flag transatlantic passenger vessels scheduled a total of 573 eastbound crossings. In 1965, that total dropped to 355 and in 1970 dwindled to 145. In 1960, Britain's Cunard Line operated 10 passenger vessels in transatlantic service with a total of 145 sailings. In 1965, seven vessels were operated with 92 sailings, and only one vessel was operated in 1970 with 13 sailings. Similar decreases occurred in the passenger service of the Holland-America Line. In 1960, it operated seven vessels with 78 transatlantic eastbound crossings. In 1965, there were six vessels with 59 crossings and in 1970 three vessels with only six crossings. The Italian Line, Norwegian-American Line, Hamburg-American Line and others, including United States-flag passenger vessel operators, experienced similar decreased transatlantic sailings.

In 1960, American passenger vessels had 63 eastbound crossings. In 1968, they had only 28 eastbound crossings. After 1968, United States-flag transatlantic passenger service terminated. Together with the decreased number of sailings during this period, United States-flag passenger vessel operators generally suffered a decrease in utilization of available berths. At the present time there are no American passenger vessels operating out of the East or Gulf Coasts of the United States.

On the transpacific route, in the period 1961 to 1970 total passenger traffic increased by about 325 percent; from 421,000 to 1.8 million. During this same period the number of passengers traveling by sea fell by 67 percent; from 58,000 to 19,000, and the percentage of total passengers traveling by sea declined from 14 percent to 1 percent.

In the period 1961 to 1970, total passenger traffic between the United States and Oceania increased by 270 percent; from 134,000 to 494,000. During this same period, the number of passengers traveling by sea has actually increased. At present, about 40,000 passengers per year travel by sea to Oceania. The percentage of total passengers traveling by sea, however, has declined from 34 percent to 9 percent.

At the present time, the four remaining United States-flag passenger vessels are operated from the West Coast of the United States, and the SS *United States*, SS *Brazil*, SS *Argentina*, SS *Santa Paula*, SS *Santa Rosa*, SS *Independence* and SS *Constitution* are in lay-up.

With reference to these United States-flag passenger vessels in lay-

up, a brief synopsis of their history will illustrate the problem before your Committee.

The SS *United States* is owned by United States Lines, Inc. Construction of the vessel was completed in 1952 at a total construction cost of \$75 million, of which the Government paid \$40 million as subsidy. The SS *United States* was operated in regular transatlantic service. Her typical itinerary was New York, Le Havre, Southampton, Le Havre, New York, with an occasional call at Bremerhaven during the off-season winter months. The vessel also operated on occasional cruises from 1962 to 1969. The SS *United States* operated at a loss, after subsidy, from 1961 until she was taken out of service in November of 1969. Since 1955, the period for which statistics are available, the vessel showed a cumulative estimated total operating loss of \$14 million after estimated accrued operating subsidy of \$113 million. It would appear that during the last year of operation, the vessel incurred a loss of \$5 million after accrued operating subsidy of \$91½ million. At the present time the vessel is in layup. The vessel's statutory economic life is 25 years which extends to 1977. Annual layup costs, including debt service, are \$827,000. Total layup costs projected to the end of the 25 year vessel life are approximately \$7 million.

The SS *Brasil* and SS *Argentina* are owned by Moore-McCormack Lines, Inc. They were constructed in 1958, and had reconstruction work performed in 1963. The total construction costs, including the reconstruction work performed in 1963, was \$57 million, of which the Government paid \$24 million as subsidy. These vessels operated in several essential services from the East Coast of the United States, and also on Caribbean cruises from 1963 to 1969. Since their entry into service in 1958, these vessels have always operated at a loss after subsidy. They showed a cumulative estimated total operating loss of \$19.5 million after estimated accrued operating subsidy of \$64.3 million. It would appear that during the last full year of operation, these vessels incurred a loss of \$2.7 million after payment of subsidy of \$6.7 million. At the present time, the SS *Brasil* and SS *Argentina* are in lay up. Each ship has a 25 year life extending through 1983. Annual lay-up costs, including debt service, are \$2 million. Total lay-up costs projected to the end of the 25 year vessel life are \$25 million.

The SS *Independence* and SS *Constitution* are owned by American Export-Isbrandtsen Lines, Inc. The vessels were constructed in 1951, and had conversion work performed in 1959. The total cost, including conversion, was \$60 million, of which the Government paid \$27 million as subsidy. An additional \$4 million was spent in rehabilitating the SS *Independence* in 1968, with no Government construction subsidy. These vessels were operated in regular Mediterranean service. A typical itinerary included New York, Gibraltar, Naples, Genoa and Cannes. They also operated on cruises from 1961 until 1968. The SS *Independence* and SS *Constitution* operated at a loss, after subsidy, in 1961 and from 1964 until taken out of service in 1968. Since 1965, the period for which statistics are available, the vessels showed a cumulative estimated total operating loss of \$2,670,756, after estimated accrued operating subsidy of \$120 million. It would appear that during the last year of operation, these vessels in-

curring a loss of \$6 million, after subsidy of \$8 million. At the present time, these vessels are in lay-up. Each ship has a 25-year economic life extending to 1976. Annual lay-up costs, including debt service, for the SS *Independence* and SS *Constitution*, are \$1.25 million. Total lay-up costs, projected to the end of the 25-year vessel lives, are \$7 million.

The SS *Santa Rosa* and SS *Santa Paula* are owned by Prudential-Grace Lines, Inc. They were constructed in 1958 at a total construction cost of \$50 million, of which the Government paid \$21 million as subsidy. These vessels were operated in the Caribbean and South American service. A typical itinerary was New York, Curacao, La Guaira, Aruba, Kingston, Port au Prince, Port Everglades, New York. These vessels operated at a loss, after subsidy, in 1963, 1965, 1969 and 1970. Since entering service in 1958, they showed a cumulative estimated total profit of \$3.2 million after an estimated accrued operating subsidy of \$54 million. It would appear that for the last year of operation, these vessels incurred a loss of \$2 million after subsidy of \$7 million. At the present time, these vessels are in layup. The economic life of both vessels is 25 years which extends to 1983. The annual layup costs, including debt service, are \$2 million. Total layup costs projected for the 25 year vessel lives are \$20 million.

In view of this situation, on April 27, 1971, your Committee opened hearings to determine whether there was any feasible way to place these laid-up United States-flag passenger vessels back in operation. Testimony was received from representatives of all companies owning United States-flag passenger vessels, the AFL-CIO Maritime Committee, the Marine Cooks and Stewards Union, AFL-CIO, the Maritime Administration of the Department of Commerce, and the Department of Defense. These hearings brought out that the lay-up of these United States-flag passenger vessels had created two very serious problems for the United States-flag merchant marine—seagoing unemployment and a financial drain on the owning companies.

The lay-up of the above seven passenger vessels has had a severe impact on the employment picture. These vessels represented approximately 3,000 jobs aboard ship. With normal turnover and reserve requirements, these positions provided work for some 6,000 men and women.

With reference to the financial drain on the companies which own laid-up United States-flag passenger vessels, your Committee heard testimony that was most discouraging. All of these companies testified that they had incurred losses in 1970, and that the laid-up passenger vessels represented a serious financial drain that could jeopardize future operations. The annual lay-up costs for all seven vessels is over \$6 million.

Your Committee made careful inquiry as to what had caused the demise of these seven United States-flag passenger vessels, as all were constructed and operated with the aid of substantial amounts of subsidy funds.

It would appear that a variety of factors contributed to the ultimate demise of these seven United States-flag passenger vessels. The following appear to constitute the main causes: (a) the impact of jet aircraft, (b) poor vessel configuration for the cruise trade, (c) the

failure of rates and revenues to reflect rising costs of operation, (d) increases in wages and benefits without improved productivity in the form of crew reductions and workrule flexibility, (d) the decline in supplemental cargo revenues, (f) the inability to raise rates to offset cost increases because of the large number of foreign-flag passenger vessels competing for the cruise passenger out of our ports, and (g) the inflexibility and inadequacy of the operating-differential subsidy system provided by the Government.

With reference to the management of these passenger vessels, it would appear that the companies explored every feasible way in which to cut costs and improve productivity so as to keep these vessels in operation. Your Committee heard testimony as to company efforts in this regard, including (a) attempts to reduce overhead by forming one company to operate all passenger vessels, (b) attempts to reduce overhead by forming one sales organization for the passenger vessels of two or more companies, (c) attempts to increase bookings by increasing expenditures for advertising, revising schedules, and improving entertainment and cuisine, (d) negotiating crew reductions and workrule flexibility, (e) instituting tight cost control measures, (f) attempts to carry express and liquid cargoes, and (g) attempts to acquire additional operating-differential subsidy from the Maritime Administration.

The maritime unions have agreed to do everything within their power to get these passenger vessels back in operation again. The AFL-CIO Maritime Committee has given a no-strike pledge to the passenger vessel operators, and agreed to trim manning scales to the lowest levels at which the operators considered it possible to provide satisfactory service. On the West Coast, the Marine Cooks & Stewards Union had already inaugurated a sliding manning scale keyed to the number of passengers carried.

With reference to the advantages enjoyed by competing foreign-flag passenger vessels, your Committee heard testimony that foreign-flag cruise vessel operators (a) operate their vessels on a much higher ratio of passengers to crew than American passenger vessels, (b) have newer vessels that are specifically designed for a particular cruise trade, (c) enjoy more flexible workrules and lower wage costs than our passenger vessels, and (d) are also receiving some form of direct or indirect subsidy.

Your Committee heard considerable testimony that the operating-differential subsidy paid United States-flag passenger vessels does not provide true parity with foreign competitors. Operating-differential subsidy for passenger vessels is generally designed to make up the difference between foreign and American costs of wages, insurance, subsistence, maintenance, and repairs not compensated by insurance. By far the greatest portion of the subsidy funds are provided to offset the difference between American and foreign wage costs. The Assistant Secretary of Commerce for Maritime Affairs testified that our wage subsidy probably never has given true parity in this regard. The reason he gave was that the difference in working conditions is difficult to quantify. Additionally, it would appear that foreign governments give passenger ship operators advantages such as accelerated depreciation, tax benefits, grants, and provide capital at lower cost. These are indirect and hidden financial aids that are

impossible to calculate. It was his position, however, that rather than a failure to achieve parity through subsidy, the fundamental problem was that United States-flag passenger vessels are generally not suitable for cruising.

The Assistant Secretary of Commerce for Maritime Affairs further testified as to the financial assistance provided these laid-up passenger vessels by the Government. In addition to the millions of dollars in construction-differential subsidy and operating-differential subsidy, previously mentioned, there was other financial support in the form of government impelled passengers. In each years since 1962, the Department of Defense Appropriation Act has required that not less than \$7,500,000 of the funds made available annually by that Act for travel expenses be expended only for the procurement of commercial passenger sea transportation service on American-flag vessels. The amount expended under this Act between 1962 and 1970 on American passenger vessels totaled \$70.1 million.

The Assistant Secretary of Commerce for Maritime Affairs generally corroborated the testimony of the passenger vessel operators. He testified that he knew of no way the laid-up passenger vessels could be profitably operated and was of the view that the massive increase in operating-differential subsidy—estimated to be about \$80 million—necessary to reactivate them could not be justified when considered with other requirements of the United States-flag merchant marine. The Maritime Administration was not opposed to the sale foreign of these vessels. Indeed, the Assistant Secretary of Commerce for Maritime Affairs was of the opinion that funds generated from the net sale proceeds could be profitably invested in new United States-flag cargo tonnage.

Through the years, United States-flag passenger vessels have played an important role as naval auxiliaries during periods of national emergency. Therefore, your Committee called the Department of Defense to determine their views on these laid-up United States-flag passenger vessels. The Department of Defense testified that they need the capability to deploy limited military forces by sealift, and while United States-flag commercial passenger ships could play a useful role during emergencies their retention for this mission cannot be justified based upon defense needs because of their high cost. Studies conducted by the Department of Defense would indicate that it would be more expensive to subsidize United States-flag commercial passenger ships in order to have them available for troopships in time of national emergency, then laying up government troopships and breaking them out when required. The Department of Defense believes that more responsive and effective passenger lifts can be provided by other military/airlift/sealift programs than by reliance upon United States-flag commercial passenger ships.

The Department of Defense further testified that they would have no objection to the sale foreign of United States-flag commercial passenger ships, provided any such legislation contain, as a condition precedent to sale, a requirement for specific approval of the Secretary of Defense. As it is difficult to forecast future Department of Defense needs, they recommended that any such sales be conditioned on an

agreement to make such vessels available to the United States in time of emergency.

Upon the conclusion of these hearings in May of this year, and after careful consideration of the entire record, your Committee concluded that jet aircraft more than any other factor was responsible for the financial difficulties that ultimately resulted in the lay-up of these vessels. As previously mentioned, jet aircraft not only had a devastating affect on our passenger vessels, but also seriously crippled the passenger operations of a number of foreign-flag operators.

Faced with the loss of point-to-point passengers to jet aircraft, United States-flag passenger ships were forced to turn to the cruise market out of our ports. In recognition of this need, the Congress liberalized the cruising restrictions provided by the Merchant Marine Act of 1936. However, United States-flag passenger ships could not effectively compete in this lucrative trade for a number of reasons. Perhaps the most serious handicap was the basic configuration of the vessels. With few exceptions, our passenger ships were constructed for point-to-point transportation, and did not lend themselves to cruising. All cabins are not saleable for cruising, and our vessels had a lower ratio of square footage of hotel plant than foreign-flag competitors built especially for this market. The ratio of crew to passengers is uniformly higher on our passenger vessels than foreign competitors, and American seamen receive much higher wages. Cruising American vessels were thus placed in a cost-revenue squeeze that was compounded by the increasing number of foreign-flag cruising vessels that tended to impose non-compensatory rates for competing United States-flag vessels.

The four remaining United States-flag passenger vessels are operated from the West Coast. Testimony before your Committee would indicate that these vessels continue to operate because of a number of advantages not enjoyed by operators on the East Coast. The principal reason is the configuration of these four vessels. They are all accommodation vessels that are ideally suited for the trades from the West Coast. These vessels operate in a very desirable cruise area that is relatively new so that foreign-flag competition is not the problem it is on the East Coast.

During these hearings, your Committee learned that efforts were being made by certain American interests to reactivate one or more of the seven laid-up passenger vessels for operation under the United States flag. For months, your Committee gave these parties every opportunity to come forward with a viable proposal. In early September, your Committee was forced to conclude that further delay would serve no useful purpose. Additionally, the continuing financial drain created by these laid-up passenger vessels represented a serious threat to the future of the owning companies and required immediate remedial relief.

H.R. 10577 was introduced on September 9, 1971.

GENERAL STATEMENT

H.R. 10577, as introduced, would generally provide that notwithstanding any other provision of law or prior contract with the United

States, with the prior approval of the Secretary of Commerce, the laid-up United States-flag passenger vessels *SS United States*, *SS Brazil*, *SS Argentina*, *SS Santa Paula*, *SS Santa Rosa*, *SS Independence* and *SS Constitution* may be sold and transferred to foreign ownership, registry and flag. The prior approval of the Secretary would generally be conditioned on (1) approval of the purchaser, (2) payment of outstanding debt related to the vessel, (3) approval of the sale price and terms, (4) an agreement between the seller and the Secretary whereby the net sale proceeds will be invested within 12 months in the construction of new vessels determined by the Secretary to effectuate the purposes and policies of the Merchant Marine Act of 1936, and (5) an agreement between the purchaser and the Secretary, running with the title of the vessel, restricting the trade of the vessel for six years in order to protect United States-flag passenger vessels, and insuring that the vessel will be available to the United States in time of emergency.

Your Committee extended an invitation to testify on the bill to all companies owning United States-flag passenger vessels, the major maritime unions, the Maritime Administration of the Department of Commerce, the Department of Defense, and other interested parties. Hearings were held on September 21st and 22nd of this year. The only opposition was voiced by Joseph Curran, representing the A.F.L.-C.I.O. Maritime Committee, who strongly objected to H.R. 10577 without offering any feasible alternative. The testimony of the Assistant Secretary of Commerce for Maritime Affairs, and representatives of American Export-Isbrandtsen Lines, Inc., United States Lines, Inc., Moore-McCormack Lines, Inc., and Prudential-Grace Lines was a brief restatement of testimony before your Committee last spring. They also indicated that nothing had developed since their earlier appearance to change the situation.

In addition, the parties testified that the bill, by permitting the sale to foreign registry of the seven laid-up passenger vessels, would release funds for new ship construction that will provide new jobs for merchant seamen and end this serious financial drain on present operations of the owners.

There was one new witness at these hearings. Mr. Maurice Matalon of Wall Street Cruises, New York, New York, explained to your Committee that he intended to exercise an outstanding option to purchase the *SS Independence* for cruising operations under the United States flag. Mr. Matalon expressed confidence that with the assistance of operating-differential subsidy, his company could operate this vessel, if not at a profit, at least without loss. The Assistant Secretary of Commerce for Maritime Affairs testified that the Maritime Administration would honor the existing operating-differential subsidy contract of the *SS Independence* with American Export-Isbrandtsen Lines, Inc., but could not assure your Committee that a new owner who intended to engage solely in cruising would be granted such subsidy. When Wall Street Cruises applies for operating-differential subsidy on the *SS Independence*, your Committee expresses the hope that the Maritime Administration will give the proposal every consideration so that this vessel can once again operate under the United States flag. However, in view of the uncertainty surrounding this proposal, your

Committee concluded that the SS *Independence* should remain within the provisions of the bill.

In a report filed by the Department of the Navy on H.R. 10577, the Department of Defense reiterated their previous position that although American-flag passenger ships could play a useful role during emergencies, their retention for this mission could not be justified based upon Defense needs because of their high cost. However, the Department of Defense requested that their prior approval should be a requirement for the sale, and the bill amended accordingly. This your Committee was unwilling to do. If the Department of Defense had indicated a willingness to pay the owners for any of these vessels, the Committee might have felt differently. But the position actually taken was not only "wishy-washy" but left the Committee in a quandary as what the position of the Department of Defense actually was. In any event, Maritime Administration stated that they would give the Department of Defense a right of first refusal before approval of any sale.

AMENDMENTS

Your Committee amended H.R. 10577, as introduced, in three places.

On page 2 lines 16 and 17, strike out "six years from the date of the agreement" and insert the following: "two years from the date the transferred vessel goes into operation". This will reduce from six to two years the period in which a passenger vessel transferred to foreign registry is prohibited from carrying passengers or cargo in competition with any United States-flag passenger vessel. Your Committee believes that two years is sufficient to protect the interests of United States-flag passenger vessel operators, and the reduced period will remove an impediment to the marketability of these passenger vessels in foreign markets.

On page 2, line 25, strike the word "and". This is a technical amendment only.

On page 3, line 2, substitute a semi-colon for the period and add the following words: "and (e) with respect to the SS *United States* no modification, reconstruction or conversion involving features incorporated in the vessel for national defense purposes shall be undertaken without submitting the plans and specifications to the Secretary of the Navy and securing his approval thereof." The bill would require that these passenger vessels be made available to the United States in times of national emergency. Of the seven vessels, the SS *United States* has significant national defense features the removal or alteration of which would substantially reduce if not destroy the value of the vessel to the United States in times of national emergency. To insure that this does not occur, your Committee amended the bill to require the prior approval of the Secretary of the Navy before the foreign purchaser can make any changes affecting national defense features of the SS *United States*.

CONCLUSIONS

Based upon all the evidence adduced at the hearings, your Committee was forced to conclude that the seven laid-up United States-flag passenger vessels cannot compete with jet aircraft in point-to-

point transportation, cannot compete with foreign-flag cruise vessels, and while in lay-up represented a serious financial drain on the owning companies. The only possible solution for their retention under the United States flag would appear to be a massive infusion of operating-differential subsidy, estimated to be about \$80 million annually, which neither the Maritime Administration nor this Committee can justify when consideration is given to other requirements of the national economy and of the United States-flag merchant marine. Thus, your Committee has concluded that the sale of these vessels to foreign registry pursuant to the terms of the bill is the only practical and realistic course open. In their present status these vessels represent a complete economic waste, whereas funds generated from the net sale proceeds could be profitably invested in new United States-flag cargo vessels.

The bill was ordered reported, with amendments, after full and careful consideration of the record. The roll call vote was 18 yeas, 1 nay and 1 present. Your Committee strongly supports the bill as the only realistic course upon with respect to these seven laid-up United States-flag passenger vessels.

COST OF LEGISLATION

Enactment of the bill will not result in any additional cost to the Government.

CHANGES IN EXISTING LAW

If enacted, this bill would make no change in existing law.

DEPARTMENTAL REPORT

The Departmental report received on the bill follows:

DEPARTMENT OF THE NAVY,
OFFICE OF LEGISLATIVE AFFAIRS,
Washington, D.C., September 21, 1971.

HON. EDWARD A. GARMATZ,
Chairman, Committee on Merchant Marine and Fisheries, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Your request for comments on H.R. 10577, a bill "To authorize the foreign sale of certain passenger vessels," has been assigned to this Department by the Secretary of Defense for the preparation of a report expressing the views of the Department of Defense.

This bill would provide that, notwithstanding any statutory or contractual prohibitions, certain passenger vessels which are under an operating-differential subsidy contract with the United States may, subject to certain conditions, be sold and transferred to foreign ownership, registry and flag.

The Department of Defense needs the capability to deploy limited military forces by sealift, and our mobility force programs are designed to provide that capability. While the American-flag passenger ships could play a useful role during emergencies, their retention for

this mission cannot be justified based upon Defense needs because of their high cost. It is the view of this Department that more responsive and effective administrative passenger lift can be provided by other Department of Defense airlift/sealift programs than by reliance upon United States commercial passenger ships.

In order to insure that Defense interests are properly considered at the time a vessel is to be sold, however, it is believed that Department of Defense approval should be a requirement for the sale. Accordingly, it is recommended that the bill be modified to contain, as a condition precedent to sale, a requirement for specific approval of the Secretary of Defense.

Subject to the above recommendation, the Department of the Navy, on behalf of the Department of Defense, interposes no objection to the enactment of H.R. 10577.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the presentation of this report on H.R. 10577 for the consideration of the Committee.

For the Secretary of the Navy.

Sincerely yours,

LANDO W. ZECH, Jr.,
Captain, U.S. Navy, Deputy Chief.

MINORITY VIEWS OF REPRESENTATIVE LEONOR K. SULLIVAN

As the ranking majority Member of this Committee, and having sat through the hearings on this bill, I cannot, in good conscience support H.R. 10577, that would permit the sale to foreign registry of the United States-flag passenger vessels *SS United States*, *SS Brasil*, *SS Argentina*, *SS Constitution*, *SS Independence*, *SS Santa Paula* and *SS Santa Rosa*.

With respect to the *SS United States*, I am of the strong view that this vessel should be excluded from the provisions of the bill. The *SS United States* received about \$40 million subsidy toward the construction of the vessel, much of which was paid for national defense features not found in any other United States-flag passenger vessel. Also, I believe that the *SS United States* is the finest passenger vessel in the world, and as such, a national symbol. For these reasons alone, I feel that this particular vessel should not be permitted to pass into foreign hands.

While I appreciate the fact that the passenger ship owners and operators cannot continue to operate at a loss, I feel that the Government has not completely exhausted all methods by which the Government or an American group can assemble their ships under one private or Government owned corporation. I do not believe that the passenger ship operators and the Maritime Administration have given sufficient consideration to the formation of a single company where the passenger ship operators would pool assets and overhead. I am especially disappointed that the Maritime Administration has never undertaken a formal study of the problems associated with operating United States-flag passenger ships.

I do not believe it is in the best interests of the United States to sell these passenger ships to foreign registry. The cruise trade out of our ports is very lucrative. Enormous sums are being expended by our citizens to foreign corporations without one dollar coming back to the United States which, of course, will have further adverse effect on our already unfavorable position on the international payments account.

I do not believe we should give up this lucrative market without further effort on the part of the vessel operators, the maritime unions and the Government.

In conclusion, I regard this legislation at best to be premature, and not in the best interests of the United States.

LEONOR K. SULLIVAN, M.C.